December 06, 2002- The Employment Situation: November 2002

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Department of Labor: Bureau of Labor Statistics

Nonfarm payroll employment was little changed in November, while the unemployment rate rose to 6.0 percent, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Job losses continued in manufacturing, but the services industry added workers.

Unemployment (Household Survey Data)

The number of unemployed persons edged up to 8.5 million in November. The unemployment rate rose to 6.0 percent, a level most recently reached in April. From May through October, the jobless rate remained within a range of 5.6 to 5.9 percent. In November, the unemployment rate for adult men rose by half a percentage point to 5.7 percent; rates for blacks (11.0 percent) and teenagers (16.8 percent) also were up over the month. The jobless rates for adult women (5.0 percent), whites (5.2 percent), and Hispanics (7.8 percent) showed little or no change. (See tables A-1 and A-2.)

Corrections to Establishment Survey Data Issued December 6, 2002 . The November Employment Situation release issued on December 6, 2002 . | (USDL 02-669), is being replaced by this release in order to correct errors in the establishment survey data. All seasonally adjusted employment, hours, and earnings series for the month of September 2002 have been recalculated using updated seasonal adjustment factors. The original seasonal factors for September 2002 were used rather than updated factors in the first issuance of the release. This correction does not affect levels for any month other than September 2002. Thus, all over-the-month employment changes for November were correct in the original release, as were the net changes between August and October.

This release also incorporates additional corrections for nonsupervisory worker estimates in the communications industry for October and November 2002. These corrections resulted in minor revisions in some hours and earnings series for these 2 months.

See footnotes on tables B-1 through B-6 for the affected series. Further information is available on the Internet, via the CES homepage at http://www.bls.gov/ces/, or by calling 202-691-6555.

Total Employment and the Labor Force (Household Survey Data)

Total employment, as measured by the household survey, declined in November to 134.2 million, and the employment-population ratio dropped by 0.4 percentage point to 62.5 percent. Despite some large monthly swings, total employment has shown no net change over the year. (See table A-1.)

The civilian labor force, at 142.7 million in November, declined by 390,000 over the month, and has fallen by 544,000 since September. The labor force participation rate decreased by 0.3 percentage point in November to 66.4 percent. (See table A-1.)

About 7.2 million persons (not seasonally adjusted) held more than one job in November. These multiple jobholders represented 5.3 percent of the total employed. (See table A-10.)

Persons Not in the Labor Force (Household Survey Data)

About 1.4 million persons (not seasonally adjusted) were marginally attached to the labor force in November, about the same as a year earlier. These individuals reported that they wanted and were available for work and had looked for a job sometime in the prior 12 months. They were not counted as unemployed, however, because they had not actively searched for work in the 4 weeks preceding the survey. The number of discouraged workers was 381,000 in November, also about unchanged from the same month a year earlier.

Discouraged workers, a subset of the marginally attached, were not looking for work specifically because they believed no jobs were available. (See table A-10.)

Industry Payroll Employment (Establishment Survey Data)

Total nonfarm payroll employment was little changed (-40,000) in November at 130.9 million. This followed a decline of 84,000 in September and an increase of 86,000 in October (as revised). Payroll employment had increased by 233,000 from April to August, after falling by 1.8 million from March 2001 to April 2002. (See table B-1.)

In November, manufacturing employment fell by 45,000. Factory job losses have averaged about 48,000 in the last 4 months, compared with losses of 20,000 a month from April to July. In November, factory job losses were widespread throughout durable goods manufacturing. Electronic equipment employment declined by 11,000. Over the last 2 years, employment in the industry has fallen by 388,000, or 22 percent. In November, transportation equipment lost 11,000 jobs, mainly in aircraft manufacturing. Employment in fabricated metals fell by 10,000 over the month and has declined by nearly 10 percent since July 2000.

Retail trade employment was down by 39,000 in November, after seasonal adjustment. This was due in part to less seasonal hiring than usual in November.

Employment continued to decline in the communications industry, which has lost 156,000 jobs since April 2001. Employment in electric, gas, and sanitary services fell by 6,000 in November. Transportation employment held steady over the month, with small offsetting movements within the component industries.

Construction employment was flat in November. Job gains in general building contractors were offset by losses in heavy construction. Construction industry employment has shown no net growth since spring of this year.

Employment in the services industry rose by 50,000 in November. Health services added 27,000 jobs, with hospitals accounting for about half of this increase. Over the past 12 months, employment in the health services industry has risen by 278,000. In November, employment also rose in several other services industries, including engineering and management, agricultural services, and auto repair and parking services. Employment in help supply services decreased by 23,000 in November; this followed declines that totaled 65,000 in the prior 2 months. The industry had added 167,000 jobs from February to August.

In finance, employment continued to increase in mortgage brokerages (5,000) as refinancing activity maintained a healthy pace. Employment in mortgage brokerages has grown by 106,000 since its low point in January 2001.

Weekly Hours (Establishment Survey Data)

The average workweek for production or nonsupervisory workers on private nonfarm payrolls was unchanged in November at 34.2 hours, seasonally adjusted. The manufacturing workweek and factory overtime also were unchanged at 40.7 hours and 4.1 hours, respectively. (See table B-2.)

The index of aggregate weekly hours of production or nonsupervisory workers on private nonfarm payrolls was unchanged in November at 148.1 (1982=100), seasonally adjusted. The manufacturing index was down by 0.4 percent over the month to 91.0. (See table B-5.)

Hourly and Weekly Earnings (Establishment Survey Data)

Average hourly earnings of production or nonsupervisory workers on private nonfarm payrolls increased by 4 cents in November to $14.93, seasonally adjusted, following a similar increase (as revised) in October.

Average weekly earnings rose by 0.3 percent over the month to $510.61.

Over the year, average hourly earnings were up by 2.9 percent and average weekly earnings rose by 3.2 percent. (See table B-3.)

Corrections of Establishment Survey Data

This release incorporates corrections for nonsupervisory worker estimates in the communications industry for January 2000 and all subsequent months. These corrections resulted in minor revisions in the hours and earnings series. See footnotes on tables B-2 through B-5 for the affected series. Further information is available on the Internet, via the CES homepage at http://www.bls.gov/ces/, or by calling 202-691-6555.

New Seasonal Factors for Establishment Survey Data

Following usual practice, the 6-month updates to seasonal adjustment factors for the establishment survey data are introduced with this release. These factors were used in the revisions to the September and October data as well as in the November estimates, and will be used through the April 2003 estimates. These factors will be published in the December 2002 issue of Employment and Earnings and are available on the Internet (http://www.bls.gov/ces/), or by calling 202-691-6555.

The Employment Situation for December 2002 is scheduled to be released on Friday, January 10, 2003, at 8:30 A.M. (EST). Release dates for the balance of 2003 are as follows:

Feb. 7
March 7
April 4
May 2
June 6
July 3
Aug. 1
Sept. 5
Oct. 3
Nov. 7
Dec. 5

Upcoming Changes to Household and National Nonfarm Payroll Data Series

Household Data Series
Effective with the release of January 2003 data, several changes to the Current Population Survey (CPS) will affect estimates contained in the Employment Situation news release:

--Population controls that reflect the results of Census 2000 will be used in the monthly CPS estimation process. In addition, CPS data series from January 2000 through December 2002 will be revised to reflect the introduction of the Census 2000-based population controls.

--The questions on race and Hispanic origin in the CPS will be modified to comply with the new standards for federal statistical agencies. A major change under those standards is that respondents may select more than one race when answering the survey. Respondents will continue to be asked a separate question to determine if they are Hispanic. The Employment Situation news release will present data for persons who report they are white and no other race, black or African American and no other race, and Asian and no other race. Data will continue to be presented for Hispanics separately.

--The CPS will adopt the Census industry and occupation classification systems derived from the 2002 North American Industry Classification System and the 2000 Standard Occupational Classification system. These new classification systems represent complete breaks in the time series for occupation and industry data. As a result, seasonally adjusted occupation and industry estimates from the household survey will not be presented until sufficient time series become available for seasonal adjustment.

--The CPS program will begin using the X-12 ARIMA software for seasonal adjustment of time series data. Because of the other revisions being introduced with the January data, the annual revision of 5 years of seasonally adjusted data that typically occurs with the release of data for December will be delayed until the release of data for January.

Questions about upcoming changes to the CPS data series can be directed to the Division of Labor Force Statistics at 202-691-6378.

National Nonfarm Payroll Data Series

NAICS conversion. The nonfarm payroll series, produced from the Current Employment Statistics (CES) program, will be converted from the 1987 Standard Industrial Classification (SIC) basis to the 2002 North American Industry Classification System (NAICS) basis with the June 6, 2003, release of May 2003 estimates. The NAICS conversion involves major definitional changes to many of the currently published SIC-based series. After the conversion to NAICS, SIC-based series will no longer be produced or published. Historical time series will be reconstructed as part of the NAICS conversion process. All published series will have a NAICS-based history extending back to at least January 1990. For total nonfarm and other high-level aggregates, NAICS history will begin in January 1939, the current starting date for these series. For more detailed series, the starting date will vary depending on the scope of the definitional changes between SIC and NAICS. The NAICS-based reconstruction effort will cover all CES published data types: all employees, women workers, production workers, average weekly hours, average hourly earnings, and derivative series (for example, indexes of aggregate weekly hours).

Completion of the CES sample redesign. June 6, 2003, also will mark the completion of the CES sample redesign phase-in. The redesign converts the CES from a quota-based sample to a probability-based sample. In June 2003, the services industries will be converted to the new sample design; all other private sector industries have already been converted. The final stage of sample redesign phase-in may result in level shifts for average weekly hours, average hourly earnings, production worker, and women worker series. New levels for these series are being recomputed from the NAICS-based probability sample.

Concurrent seasonal adjustment. Also beginning in June 2003, the CES program will convert to concurrent seasonal adjustment, which uses all available monthly estimates, including those for the current month, in developing seasonal

factors. Currently, the CES program projects seasonal factors twice a year. With the introduction of concurrent seasonal adjustment, BLS will no longer publish seasonal factors for CES national estimates.

Change to federal government series. Beginning in June 2003, the CES series for federal government employment will be revised slightly in scope and definition due to a change in source data and estimation methods. The current national series is an end-of-month federal employee count produced by the Office of Personnel Management, and it excludes some workers, mostly employees who work in Department of Defense-owned establishments such as military base commissaries. The CES national series will include these workers. Also, federal government employment will be estimated from a sample of federal establishments, will be benchmarked annually to counts from unemployment insurance tax records, and will reflect employee counts as of the pay period including the 12th of the month, consistent with other CES industry series. The historical time series for federal government employment will be revised to reflect these changes.

Further information on upcoming changes to CES data series is available through the BLS public database on the Internet, via the CES homepage at http://www.bls.gov/ces/, or by calling 202-691-6555.

Explanatory Note

This news release presents statistics from two major surveys, the Current Population Survey (household survey) and the Current Employment Statistics survey (establishment survey). The household survey provides the information on the labor force, employment, and unemployment that appears in the A tables, marked HOUSEHOLD DATA. It is a sample survey of about 60,000 households conducted by the U.S. Census Bureau for the Bureau of Labor Statistics (BLS).

The establishment survey provides the information on the employment, hours, and earnings of workers on nonfarm payrolls that appears in the B tables, marked ESTABLISHMENT DATA. This information is collected from payroll records by BLS in cooperation with State agencies. In June 2002, the sample included over 300,000 establishments employing about 37 million people.

For both surveys, the data for a given month relate to a particular week or pay period. In the household survey, the reference week is generally the calendar week that contains the 12th day of the month. In the establishment survey, the reference period is the pay period including the 12th, which may or may not correspond directly to the calendar week.

Coverage, definitions, and differences between surveys Household survey. The sample is selected to reflect the entire civilian noninstitutional population. Based on responses to a series of questions on work and job search activities, each person 16 years and over in a sample household is classified as employed, unemployed, or not in the labor force.

People are classified as employed if they did any work at all as paid employees during the reference week; worked in their own business, profession, or on their own farm; or worked without pay at least 15 hours in a family business or farm. People are also counted as employed if they were temporarily absent from their jobs because of illness, bad weather, vacation, labor-management disputes, or personal reasons.

People are classified as unemployed if they meet all of the following criteria: They had no employment during the reference week; they were available for work at that time; and they made specific efforts to find employment sometime during the 4-week period ending with the reference week. Persons laid off from a job and expecting recall need not be looking for work to be counted as unemployed. The unemployment data derived from the household survey in no way depend upon the eligibility for or receipt of unemployment insurance benefits.

The civilian labor force is the sum of employed and unemployed persons. Those not classified as employed or unemployed are not in the labor force. The unemployment rate is the number unemployed as a percent of the labor force. The labor force participation rate is the labor force as a percent of the population, and the employment-population ratio is the employed as a percent of the population.

Establishment survey. The sample establishments are drawn from private nonfarm businesses such as factories, offices, and stores, as well as Federal, State, and local government entities. Employees on nonfarm payrolls are those who received pay for any part of the reference pay period, including persons on paid leave. Persons are counted in each job they hold. Hours and earnings data are for private businesses and relate only to production workers in the goods-producing sector and nonsupervisory workers in the service-producing sector.

Differences in employment estimates. The numerous conceptual and methodological differences between the household and establishment surveys result in important distinctions in the employment estimates derived from the surveys. Among these are:

--The household survey includes agricultural workers, the self-employed, unpaid family workers, and private household workers among the employed. These groups are excluded from the establishment survey.

--The household survey includes people on unpaid leave among the employed. The establishment survey does not.

--The household survey is limited to workers 16 years of age and older. The establishment survey is not limited by age.

--The household survey has no duplication of individuals, because individuals are counted only once, even if they hold more than one job. In the establishment survey, employees working at more than one job and thus appearing on more than one payroll would be counted separately for each appearance.

Seasonal adjustment

Over the course of a year, the size of the nation's labor force and the levels of employment and unemployment undergo sharp fluctuations due to such seasonal events as changes in weather, reduced or expanded production, harvests, major holidays, and the opening and closing of schools. The effect of such seasonal variation can be very large; seasonal fluctuations may account for as much as 95 percent of the month-to-month changes in unemployment.

Because these seasonal events follow a more or less regular pattern each year, their influence on statistical trends can be eliminated by adjusting the statistics from month to month. These adjustments make nonseasonal developments, such as declines in economic activity or increases in the participation of women in the labor force, easier to spot. For example, the large number of youth entering the labor force each June is likely to obscure any other changes that have taken place relative to May, making it difficult to determine if the level of economic activity has risen or declined. However, because the effect of students finishing school in previous years is known, the statistics for the current year can be adjusted to allow for a comparable change. Insofar as the seasonal adjustment is made correctly, the adjusted figure provides a more useful tool with which to analyze changes in economic activity.

In both the household and establishment surveys, most seasonally adjusted series are independently adjusted. However, the adjusted series for many major estimates, such as total payroll employment, employment in most major industry divisions, total employment, and unemployment are computed by aggregating independently adjusted component series. For example, total unemployment is derived by summing the adjusted series for four major age-sex components; this differs from the unemployment estimate that would be obtained by directly adjusting the total or by combining the duration, reasons, or more detailed age categories.

The numerical factors used to make the seasonal adjustments are recalculated twice a year. For the household survey, the factors are calculated for the January-June period and again for the July-December period. For the establishment survey, updated factors for seasonal adjustment are calculated for the May-October period and introduced along with new benchmarks, and again for the November-April period. In both surveys, revisions to historical data are made once a year.

Reliability of the estimates

Statistics based on the household and establishment surveys are subject to both sampling and nonsampling error. When a sample rather than the entire population is surveyed, there is a chance that the sample estimates may differ from the "true" population values they represent. The exact difference, or sampling error, varies depending on the particular sample selected, and this variability is measured by the standard error of the estimate. There is about a 90-percent chance, or level of confidence, that an estimate based on a sample will differ by no more than 1.6 standard errors from the "true" population value because of sampling error. BLS analyses are generally conducted at the 90-percent level of confidence.

For example, the confidence interval for the monthly change in total employment from the household survey is on the order of plus or minus 290,000. Suppose the estimate of total employment increases by 100,000 from one month to the next. The 90-percent confidence interval on the monthly change would range from -190,000 to 390,000 (100,000 +/- 290,000). These figures do not mean that the sample results are off by these magnitudes, but rather that there is about a 90-percent chance that the "true" over-the-month change lies within this interval. Since this range includes values of less than zero, we could not say with confidence that employment had, in fact, increased. If, however, the reported employment rise was half a million, then all of the values within the 90-percent confidence interval would be greater than zero. In this case, it is likely (at least a 90-percent chance) that an employment rise had, in fact, occurred. At an unemployment rate of around 4 percent, the 90-percent confidence interval for the monthly change in unemployment is about +/- 270,000, and for the monthly change in the unemployment rate it is about +/- .19 percentage point.

In general, estimates involving many individuals or establishments have lower standard errors (relative to the size of the estimate) than estimates which are based on a small number of observations. The precision of estimates is also improved when the data are cumulated over time such as for quarterly and annual averages. The seasonal adjustment process can also improve the stability of the monthly estimates.

The household and establishment surveys are also affected by nonsampling error. Nonsampling errors can occur for many reasons, including the failure to sample a segment of the population, inability to obtain information for all

respondents in the sample, inability or unwillingness of respondents to provide correct information on a timely basis, mistakes made by respondents, and errors made in the collection or processing of the data.

For example, in the establishment survey, estimates for the most recent 2 months are based on substantially incomplete returns; for this reason, these estimates are labeled preliminary in the tables. It is only after two successive revisions to a monthly estimate, when nearly all sample reports have been received, that the estimate is considered final.

Another major source of nonsampling error in the establishment survey is the inability to capture, on a timely basis, employment generated by new firms. To correct for this systematic underestimation of employment growth (and other sources of error), a process known as bias adjustment is included in the survey's estimating procedures, whereby a specified number of jobs is added to the monthly sample-based change. The size of the monthly bias adjustment is based largely on past relationships between the sample-based estimates of employment and the total counts of employment described below.

The sample-based estimates from the establishment survey are adjusted once a year (on a lagged basis) to universe counts of payroll employment obtained from administrative records of the unemployment insurance program. The difference between the March sample-based employment estimates and the March universe counts is known as a benchmark revision, and serves as a rough proxy for total survey error. The new benchmarks also incorporate changes in the classification of industries. Over the past decade, the benchmark revision for total nonfarm employment has averaged 0.3 percent, ranging from zero to 0.7 percent.

Additional statistics and other information

More comprehensive statistics are contained in Employment and Earnings, published each month by BLS. It is available for $27.00 per issue or $53.00 per year from the U.S. Government Printing Office, Washington, DC 20402. All orders must be prepaid by sending a check or money order payable to the Superintendent of Documents, or by charging to Mastercard or Visa.

Employment and Earnings also provides measures of sampling error for the household survey data published in this release. For unemployment and other labor force categories, these measures appear in tables 1-B through 1-D of its "Explanatory Notes." Measures of the reliability of the data drawn from the establishment survey and the actual amounts of revision due to benchmark adjustments are provided in tables 2-B through 2-H of that publication.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: 202-691-5200; TDD message referral phone: 1-800-877-8339.